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5 May 1955

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting Held in IAC Conference Room, 5 May 1955,
2:30 on Report on Reexamination of CIA's Reimburse-
ment Practices

PARTICIPANTS: Messrs. Perry and Hamilton, Bureau of the Budget;
Howe and Killea, Department of State; Mason, Reber
and Lampshire, CIA

ACTION:

1. It was agreed that:

a. the views of the three military services on those parts of the subject report which military services considered of interest to them will be obtained by CIA;

b. the views of the three military services, either positive or negative, will be reported by CIA to the Bureau of the Budget;

c. subject to the views of the three military services the Bureau of the Budget will either approve or disapprove subject report;

d. following advice from the Bureau of the Budget as to its approval or disapproval, SA/PC/DCI will report the views of the Budget Bureau, the State Department and three military services to the DCI and advise appropriate CIA offices, the Department of State and the three military services of the DCI's final action on the subject report.

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DISCUSSION:

2. Mr. Reber opened the meeting by inviting either the State Department or Bureau of the Budget to comment on the subject report. Mr. Howe said that officially the Department of State approves of the report and that the report clarifies CIA reimbursement practices and provides agreed criteria for considering present and future inter-agency funding problems. Mr. Perry said that the report was valuable in that it establishes a long term base for handling financial problems. Mr. Reber stated that clarification of reimbursement practices provided by the report ended a period of several years during which time considerable additional confusion was caused by the lack of such clarification. He further pointed out that although a few minds were, at present, clear due to the subject report's clarification of reimbursement practices, a continuous effort is also necessary to insure that those who are involved in the day to day problems understand and act accordingly.

3. With regard to the question of central budgeting, Mr. Perry stated that the Budget Bureau's position was opposed to central budgeting. In reply to Mr. Mason, who felt that the philosophy of central budgeting should be accepted as desirable for certain activities, Mr. Perry pointed out that the Bureau of the Budget recognizes two conflicting budgeting trends: First is the development of a program or performance budget-such budgeting cuts across agency lines; second is the conflicting trend to budget according to the agency which performs or produces. Of these two conflicting trends the Bureau of the Budget argues that the second is more desirable as it gives the responsible agency the benefit of experiencing the hazards of the budget processes. However, Mr. Perry pointed out that the Bureau recognized that there might be rare occasions such as the NIS program when performance budgeting proved a desirable expedient.


4. Some discussion among Messrs. Reber, Perry and Mason indicate agreement on paragraph 4a and b of the report subject to the insertion as a new third sentence of 4a "In certain circumstances a combination would be appropriate." Mr. Perry felt that the words in paragraph 4a were neutral and did not raise a philosophical issue between central budgeting as a desirable practice and central budgeting as an expedient.

5. The question of earmarking Bureau of the Budget allowances for intelligence activities was raised and disposed of quickly as not pertinent

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to the decision on the substance of the report inasmuch as the subject report mentions earmarking allowances only in an exploratory way in its Tab B.

6. Considerable discussion followed on the point of the Bureau's reluctance to agree to the report in a formal manner until they were assured that the Defense Department had a chance to indicate its interest, if any, in certain conclusions and recommendations of the report. The steps to be taken with regard to consideration of Defense interest, Bureau of the Budget approval, DCI approval and implementation of the report are indicated in the action section, first paragraph.


WALLACE R. LAMPSHIRE
Office of the Director
Planning and Coordination Staff

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PCS/DCI:WRL:pas (9 May 1955)

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